

## Message Text

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14-12

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 COME-00 FEA-01

AGR-05 CEA-01 CIAE-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

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P R 140955Z APR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 4570

INFO AMEMBASSY LONDON

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, HK

SUBJECT: GSP AND HONG KONG

REF: STATE 83792

SUMMARY: DAVID JORDAN WILL HAVE FULL AUTHORITY AND WILL BE PREPARED TO DISCUSS COMMONWEALTH PREFERENCES DURING HIS FORTHCOMING VISIT TO WASHINGTON. ABOLITION OF PREFERENCES, HOWEVER, WILL BE CONTINGENT UPON IRON-CLAD US ASSURANCES OF INCLUSION. END SUMMARY

1. OUR INITIAL REACTION IS THAT HONG KONG IS RECEIVING FURTHER DISCRIMINATION, EXTENDED NOW TO REVERSE PREFERENCES. STATE 55671 SAID THAT EGYPT WOULD RECEIVE PREFERENCES EVEN THOUGH IT IS NOT RPT NOT LIKELY TO DROP ITS REVERSE PREFERENCES BECAUSE OF "JUDGMENT THAT EXISTING PREFERENCES DO NOT NOW HAVE SIGNIFICANT ADVERSE EFFECT ON US COMMERCE." MUCH THE SAME COULD BE SAID

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FOR HONG KONG, IN THAT (A) LOCAL TIPPLERS ARE NOT LIKELY TO SHIFT THEIR TASTE FROM SCOTCH TO BOURBON; (B)

U.S. CAR MANUFACTURERS HAVE INDICATED NO INTEREST IN INSTALLING RIGHT HAND STEERING WHEELS, LEAVING THESE CHORES TO SUBSIDIARIES IN CANADA AND AUSTRALIA; (C) THE LOCAL BUS COMPANIES ARE UNLIKELY TO SHIFT TO US SUPPLIERS INASMUCH AS THE US IS A NET IMPORTER OF DOUBLE-DECKERS; AND (D) U.S. CIGARETTES HAVE CAPTURED THE LION'S SHARE OF THE MARKET DESPITE PREFERENCES.

2. DESPITE THE THEORETICAL NATURE OF BENEFITS TO US EXPORTERS THAT ELIMINATING HK'S REVERSE PREFERENCES MIGHT BRING, WE REALIZE THAT THERE IS A THEOLOGICAL SIDE TO THE QUESTION AND THAT A CLEAR EXAMPLE OF SCRAPPED PREFERENCES WOULD BE GLITTERING TROPHY FOR THE ADMINISTRATION TO LAY AT THE FEET OF CONGRESS.

3. THE HKG HAS LONG SAID THAT IT WAS WILLING TO NEGOTIATE DROPPING PREFERENCES. GOVERNOR MACLEHOSE MADE SUCH AN OFFER AS FAR BACK AS FEBRUARY 1972, AND IT WAS REITERATED IN HONG KONG'S AIDE MEMOIRE OF MARCH 13, 1975. THE MAKING OF THIS OFFER HAS, INCIDENTALLY, INVOLVED SOME BITTER WRANGLING WITH HMG WHICH, IN THE END, ACCEPTED THE POSITION THAT THE COMMONWEALTH PREFERENCES WERE HONG KONG'S TO DO WITH AS IT PLEASED.

4. THE HKG HAS BOTH A TACTICAL AND A PROCEDURAL PROBLEM WITH DROPPING COMMONWEALTH PREFERENCES BEFORE IT RECEIVES AN IRON-CLAD GUARANTY OF INCLUSION IN THE US SCHEME. TACTICALLY, PREFERENCES ARE ALMOST THE ONLY WEAPON IN THE COLONY'S SLIM ARMORY FOR DOING BATTLE IN THE FORTHCOMING GATT TARIFF NEGOTIATIONS. LOCAL PUBLIC OPINION WOULD FLAY THE HKG WERE IT TO GIVE THIS QUID WITHOUT A QUO. PROCEDURALLY, THE LEGISLATIVE PROCESS REQUIRES EIGHT WEEKS SINCE A BILL MUST BE APPROVED BY THE EXECUTIVE COUNCIL, GAZETTED AND PUT THROUGH THREE READINGS IN THE LEGISLATIVE COUNCIL WHICH MEETS ONLY BIWEEKLY. THUS, IF THE DECISION ON WHETHER TO INCLUDE HK IS NOT ANNOUNCED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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UNTIL SHORTLY BEFORE NOVEMBER 1, THE HKG WILL BE IN A BIND; I.E. TO INTRODUCE THE LEGISLATION BEFORE A PUBLIC ANNOUNCEMENT OF INCLUSION WILL LET THE CAT OUT OF THE BAG.

5. DAVID JORDAN WILL ENJOY FULL AUTHORITY TO NEGOTIATE THE MATTER IN HIS FORTHCOMING VISIT TO WASHINGTON. WE HAVE SUGGESTED THAT HE CARRY DRAFT LEGISLATION IN HIS POCKET BUT HIS DEPARTMENT SAYS THIS IS NOT POSSIBLE BECAUSE THE BASIC DECISION TO

ALIGN TARIFF RATES AT THE UPPER OR LOWER (I.E. COMMONWEALTH) LEVEL HAS YET TO BE MADE. (FYI: WE ARE BETTING ON THE UPPER LEVEL BECAUSE THE HKG NEEDS THE MONEY FROM CIGARETTES AND BOOZE AND IS ACTIVELY DISCOURAGING THE OWNERSHIP OF PRIVATE CARS). JORDAN'S AUTHORITY IS GOING TO BE CONTINGENT UPON US INCLUSION OF HK IN THE SCHEME AND WE DO NOT SEE HOW HK CAN AGREE TO DROP ITS PREFERENCES UNTIL IT HAS BANKABLE US ASSURANCES.

6. JORDAN CALLING ON ME WEDNESDAY APRIL 16. I AM PREPARED TO MAKE ANY POINTS DESIRED BY DEPARTMENT. CROSS

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## Message Attributes

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